

DANVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS
JUNE 30, 2015

DANVILLE COMMUNITY SCHOOL DISTRICT

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DANVILLE COMMUNITY SCHOOL DISTRICT

Officials

June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Sandra Dockendorff	Board President	2017
Allan Luers	Board Vice President	2015
Scott Becker	Board Member	2015
Brian Bauer	Board Member	2015
Andy Grothe	Board Member	2017
School Officials		
Gary DeLacy	Superintendent	2017
Christa Seibert	Board Secretary/Treasurer	2016
Lane & Waterman LLP	Attorney	Indefinite

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Independent Auditor's Report

To the Board of Education of
Danville Community School District:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Danville Community School District, Danville, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Danville Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Danville Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. My opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 51 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Danville Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 30, 2016 on my consideration of Danville Community School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Danville Community School District's internal control over financial reporting and compliance.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
March 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Danville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,226,464 in fiscal 2014 to \$6,275,378 in fiscal 2015, and General Fund expenditures increased from \$5,869,852 in fiscal 2014 to \$6,046,384 in fiscal 2015. The District's General Fund balance increased from \$1,248,492 in fiscal 2014 to \$1,479,250 in fiscal 2015, a 18.48% increase.
- The increase in General Fund revenues was attributable the District receiving increased state sources and tuition. Revenues from federal sources decreased by 15% from fiscal year 2014. The increase in expenditures was due primarily the negotiated salary and benefits. The General Fund balance increase was the result of the increase in revenues being more than sufficient to cover the increase in expenditures for fiscal 2015.
- The District's solvency ratio (assigned + unassigned fund balance/actual general fund revenues – AEA flow through) increased from 17.4% for fiscal 2014 to 21.8% for fiscal 2015. The State School Budget Review Committee recommends a solvency ratio between 5%-10%.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Danville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Danville Community School District's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Danville Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's

proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

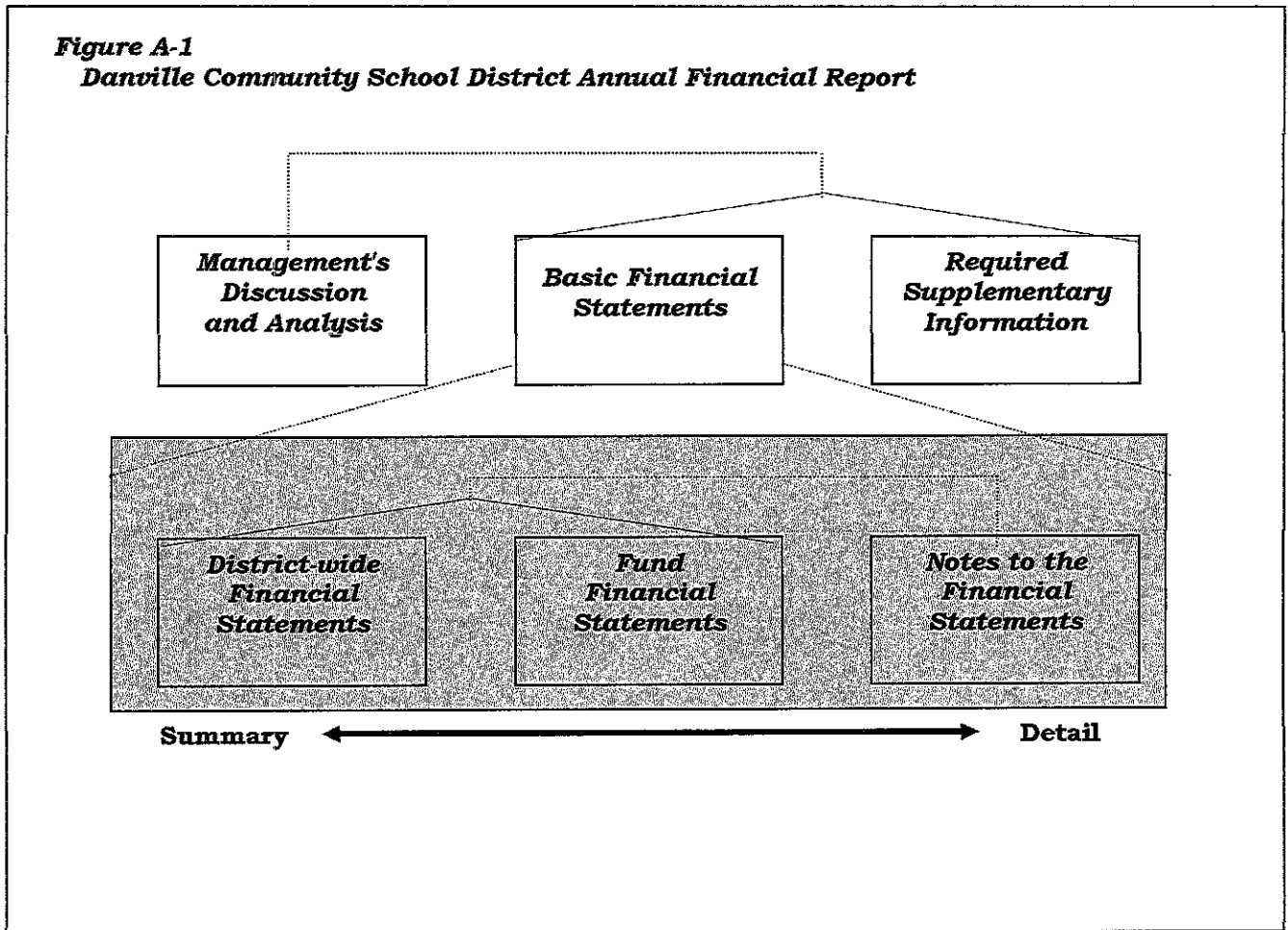


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and preschool operation	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflow information	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of fund balance that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period	Consumption/acquisition of net position that is applicable to a future reporting period
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources,

liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, are the same as its business type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Preschool Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary fund*: The District is the trustee, or fiduciary, for assets that belong to others. This fund consists of a Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3
Condensed Statement of Net Position

	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Current and other assets	\$ 4,469,324	\$ 4,057,526	\$ 23,760	\$ 41,971	\$4,493,084	\$4,099,497	9.60%
Capital assets	<u>8,288,548</u>	<u>8,415,459</u>	<u>107,694</u>	<u>131,670</u>	<u>8,396,242</u>	<u>8,547,129</u>	-1.77%
Total assets	<u>12,757,872</u>	<u>12,472,985</u>	<u>131,454</u>	<u>173,641</u>	<u>12,889,326</u>	<u>12,646,626</u>	1.92%
Deferred outflow of resources	<u>575,558</u>	-	<u>8,784</u>	-	<u>584,342</u>	-	100.00%
Long-term liabilities	5,259,069	3,262,156	33,110	-	5,292,179	3,262,156	62.23%
Other liabilities	<u>515,340</u>	<u>508,589</u>	<u>6,321</u>	<u>5,358</u>	<u>521,661</u>	<u>513,947</u>	1.50%
Total liabilities	<u>5,774,409</u>	<u>3,770,745</u>	<u>39,431</u>	<u>5,358</u>	<u>5,813,840</u>	<u>3,776,103</u>	53.96%
Deferred inflows of resources	<u>2,947,757</u>	<u>1,983,672</u>	<u>12,627</u>	-	<u>2,960,384</u>	<u>1,983,672</u>	49.24%
Net position							
Net investment in							
capital assets	5,493,548	5,315,459	107,694	131,670	5,601,242	5,447,129	2.83%
Restricted	309,546	355,398	-	-	309,546	355,398	-12.90%
Unrestricted	<u>(1,191,830)</u>	<u>1,047,711</u>	<u>(19,514)</u>	<u>36,613</u>	<u>(1,211,344)</u>	<u>1,084,324</u>	-211.71%
Total net position	<u>\$ 4,611,264</u>	<u>\$ 6,718,568</u>	<u>\$ 88,180</u>	<u>\$168,283</u>	<u>\$4,699,444</u>	<u>\$6,886,851</u>	-31.76%

The District's total net position decreased by approximately 32%, or \$2,187,407 from the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased \$45,852, or approximately 13% from the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$2,295,668, or approximately 212%. This reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$2,580,997 and \$39,306, respectively, to retroactively, report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

	Change in Net Position						
	Governmental Activities		Business Type Activities		Total District		Total Change
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues							
Program revenues							
Charges for service and sales	\$ 1,523,102	\$ 1,413,485	\$ 497,523	\$ 407,189	\$ 2,020,625	\$ 1,820,674	10.98%
Operating grants	784,990	969,785	131,906	162,967	916,896	1,132,752	-19.06%
General revenues							
Property tax	2,226,000	2,180,312	-	-	2,226,000	2,180,312	2.10%
Statewide sales, services and use tax	460,363	420,255	-	-	460,363	420,255	9.54%
Unrestricted state grants	2,252,187	2,245,600	-	-	2,252,187	2,245,600	0.29%
Contributions and donations	-	23,552	-	-	-	23,552	-100.00%
Unrestricted investment earnings	3,843	3,911	207	401	4,050	4,312	-6.08%
Other	47,113	9,098	-	-	47,113	9,098	417.84%
Special item - gain on sale of assets	-	16,858	-	-	-	16,858	-100.00%
Total revenues and special item	<u>7,297,598</u>	<u>7,282,856</u>	<u>629,636</u>	<u>570,557</u>	<u>7,927,234</u>	<u>7,853,413</u>	0.94%

Program expenses

Governmental activities							
Instruction	4,569,052	4,272,488	-	-	4,569,052	4,272,488	6.94%
Support services	1,945,572	1,831,250	-	-	1,945,572	1,831,250	6.24%
Non-instructional programs	3,887	2,611	670,433	688,842	674,320	691,453	-2.48%
Other expenses	<u>305,394</u>	<u>609,749</u>	<u>-</u>	<u>-</u>	<u>305,394</u>	<u>609,749</u>	-49.91%
Total expenses	<u>6,823,905</u>	<u>6,716,098</u>	<u>670,433</u>	<u>688,842</u>	<u>7,494,338</u>	<u>7,404,940</u>	1.21%
Change in net position	473,693	566,758	(40,797)	(118,285)	432,896	448,473	3.47%
Net position beginning of year, as restated	<u>4,137,571</u>	<u>6,151,810</u>	<u>128,977</u>	<u>286,568</u>	<u>4,266,548</u>	<u>6,438,378</u>	-33.73%
Net position end of year	<u>\$4,611,264</u>	<u>\$6,718,568</u>	<u>\$ 88,180</u>	<u>\$168,283</u>	<u>\$4,699,444</u>	<u>\$ 6,886,851</u>	-31.76%

In fiscal year 2015, property tax and unrestricted state grants accounted for approximately 62% of governmental activities revenues while charges for service and operating grants, contributions and restricted interest accounted for almost 100% of business type activities revenue. The District's total revenues were \$7,927,234 of which \$7,297,598 was for governmental activities and \$629,636 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 1% increase in revenues and a 1% increase in expenses.

Governmental Activities

Revenues for governmental activities were \$7,297,598 and expenses were \$6,823,905 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

Total and Net Cost of Governmental Activities						
	Total Cost of Services			Net Cost of Services		
	2015	2014 (Not restated)	Change 2014-2015	2015	2014 (Not restated)	Change 2014-2015
Instruction	\$ 4,569,052	\$4,272,488	6.9%	\$ 2,478,467	\$2,321,625	6.8%
Support services	1,945,572	1,831,250	6.2%	1,925,922	1,585,810	21.4%
Non-instructional programs	3,887	2,611	48.9%	704	2,611	-73.0%
Other expenses	<u>305,394</u>	<u>609,749</u>	-49.9%	<u>110,720</u>	<u>422,782</u>	-73.8%
Total expenses	<u>\$ 6,823,905</u>	<u>\$6,716,098</u>	1.6%	<u>\$4,515,813</u>	<u>\$4,332,828</u>	4.2%

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$1,523,102.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$784,990.

- The net cost of governmental activities was financed with \$2,686,363 in property and other taxes and \$2,252,187 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2015 were \$629,636 representing an 11% increase over the prior year, while expenses totaled \$670,433 a 3% decrease from the prior year. The District's business type activities consist of the School Nutrition Fund and the Preschool/Daycare Fund, which was started in fiscal 2006. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. The increase of revenues is attributable to an annual incremental increase in lunch and daycare charges along with increased enrollment.

During the year ended June 30, 2015, the District continued to hold steady the labor hours in the Nutrition program.

INDIVIDUAL FUND ANALYSIS

As previously noted, Danville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,671,018, well above last year's ending fund balances of \$1,396,338.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of revenues being greater than expenditures.
- The General Fund balance increased from \$1,229,248 to \$1,479,250, due in part to increased local and state sources compared to fiscal year 2014.
- The Management Fund balance increased from \$4,544 to \$25,705 due to the increased management fund tax levy to cover future increased expenses such as early retirees.

Proprietary Fund Highlights

Enterprise Fund net position decreased from \$128,977 at June 30, 2014 to \$88,180 at June 30, 2015, representing a decrease of approximately 32%. The decrease is due to the loss of an empowerment grant for the Early Learning Center, increased staffing requirements, increased food cost, and increased salaries and benefits.

BUDGETARY HIGHLIGHTS

Over the course of the year, Danville Community School District amended its annual budget one time by \$70,000 to account for increased expenditures in Instruction and Total Other Expenditures.

The District's total revenues were \$264,573 less than budgeted revenues, a variance of 4%. Budgeted revenue is an estimate and will vary based upon open enrollment, daycare and nutrition revenue, and state and federal grants.

Total expenditures were \$618,469 less than budgeted, due primarily to the District's line item spending of less than budget authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$8,396,242, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of approximately 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$372,283.

The original cost of the District's capital assets was \$13,699,735. Governmental funds account for \$13,383,223 with the remainder of \$316,512 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$351,151 at June 30, 2014, compared to zero at June 30, 2015. This decrease resulted from completion of the bus barn.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		District		Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 182,287	\$ 182,287	\$ -	\$ -	\$ 182,287	\$ 182,287	0.00%
Construction in progress	-	351,151	-	-	-	351,151	-100.00%
Buildings and improvements	7,496,336	7,227,129	-	-	7,496,336	7,227,129	3.72%
Improvements other than buildings	270,790	287,670	-	-	270,790	287,670	-5.87%
Furniture and equipment	339,135	367,222	107,694	131,670	446,829	498,892	-10.44%
Totals	<u>\$ 8,288,548</u>	<u>\$ 8,415,459</u>	<u>\$ 107,694</u>	<u>\$ 131,670</u>	<u>\$ 8,396,242</u>	<u>\$ 8,547,129</u>	-1.77%

Long-Term Debt

At June 30, 2015, the District had \$5,292,179 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 15% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$5.7 million.

Figure A-7

Outstanding Long-term Obligations			
	Total	Total	
	District	Change	
	June 30,	June 30,	
	2015	2014 (restated)	2014-2015
Governmental activities			
General obligation bonds	\$ 195,000	\$ 390,000	-50.00%
Revenue bonds	2,600,000	2,710,000	-4.06%
Termination benefits	280,543	152,796	83.61%
Net pension liability	2,174,166	2,901,345	-25.06%
Net OPEB liability	<u>9,360</u>	<u>9,360</u>	0.00%
	5,259,069	6,163,501	-14.67%
Business type activities			
Net pension liability	<u>33,110</u>	<u>44,184</u>	-25.06%
Total	<u>\$ 5,292,179</u>	<u>\$ 6,207,685</u>	-14.75%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances which could significantly affect its financial health in the future:

- The District will negotiate a new agreement with the Danville Education Association during fiscal 2016. Settlements in excess of "new money" or supplemental state aid in state funding will have an adverse effect on the District's General Fund budget and related fund balance.
- The 2015/2016 budget includes a cash reserve levy in the amount of \$124,726.
- Taxable valuation has increased and enrollment is stable.
- The District has ongoing needs for transportation vehicle replacements.
- The District will monitor the cost of implementing provisions in the Affordable Health Care Act.
- The Early Learning Center will be required to be licensed with DHS, not the Department of Education. Balancing expenditures to available revenue resources will continue to be a challenge.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christa Seibert, District Secretary/Treasurer and Business Manager, Danville Community School District, 419 South Main Street, Danville, Iowa, 52623.

Basic Financial Statements

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$1,380,313	\$ 15,578	\$1,395,891
Receivables			
Property tax			
Delinquent	14,181	-	14,181
Succeeding year	2,118,584	-	2,118,584
Accounts receivable	19,092	2,109	21,201
Income surtaxes	203,554	-	203,554
Due from other governments	733,600	612	734,212
Inventories	-	5,461	5,461
Non-depreciable capital assets	182,287	-	182,287
Capital assets, net of accumulated depreciation	<u>8,106,261</u>	<u>107,694</u>	<u>8,213,955</u>
Total assets	<u>12,757,872</u>	<u>131,454</u>	<u>12,889,326</u>
Deferred Outflows of Resources			
Pension related deferred outflows	<u>575,558</u>	<u>8,784</u>	<u>584,342</u>
Liabilities			
Accounts payable	104,284	360	104,644
Salaries and benefits payable	371,884	5,961	377,845
Accrued interest payable	39,172	-	39,172
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	195,000	-	195,000
Revenue bonds payable	110,000	-	110,000
Termination benefits payable	201,136	-	201,136
Portion due after one year			
Revenue bonds payable	2,490,000	-	2,490,000
Termination benefits payable	79,407	-	79,407
Net pension liability	2,174,166	33,110	2,207,276
Net OPEB liability	<u>9,360</u>	<u>-</u>	<u>9,360</u>
Total liabilities	<u>5,774,409</u>	<u>39,431</u>	<u>5,813,840</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities	Business Type Activities	Total
Deferred Inflows of Resources			
Unavailable property tax revenue	\$2,118,584	\$ -	\$2,118,584
Pension related deffered outflows	829,173	12,627	841,800
Total deferred inflows of resources	<u>2,947,757</u>	<u>12,627</u>	<u>2,960,384</u>
Net Position			
Net investment in capital assets	5,493,548	107,694	5,601,242
Restricted for:			
Categorical funding	147,020	-	147,020
Student activities	121,447	-	121,447
School infrastructure	4,810	-	4,810
Physical plant and equipment	36,269	-	36,269
Unrestricted	<u>(1,191,830)</u>	<u>(19,514)</u>	<u>(1,211,344)</u>
Total net position	<u>\$4,611,264</u>	<u>\$ 88,180</u>	<u>\$4,699,444</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2015

Exhibit B

Functions/Programs Governmental activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest		Governmental Activities	Business Type Activities	Total
				Capital Grants, Contributions and Restricted Interest			
Instruction							
Regular instruction	\$ 2,957,842	\$ 1,347,235	\$ 545,975	\$ -	\$ (1,064,632)	\$ -	\$ (1,064,632)
Special instruction	539,260	156,084	31,588	-	(351,588)	-	(351,588)
Other instruction	1,071,950	-	9,703	-	(1,062,247)	-	(1,062,247)
	4,569,052	1,503,319	587,266	-	(2,478,467)	-	(2,478,467)
Support services							
Student	92,691	-	-	-	(92,691)	-	(92,691)
Instructional staff	152,680	16,600	3,050	-	(133,030)	-	(133,030)
Administration	651,701	-	-	-	(651,701)	-	(651,701)
Operation and maintenance of plant	715,281	-	-	-	(715,281)	-	(715,281)
Transportation	333,219	-	-	-	(333,219)	-	(333,219)
	1,945,572	16,600	3,050	-	(1,925,922)	-	(1,925,922)
	3,887	3,183	-	-	(704)	-	(704)
Non-instructional programs							
Other expenses							
Facilities acquisition	2,404	-	-	-	(2,404)	-	(2,404)
Long-term debt interest	80,966	-	-	-	(80,966)	-	(80,966)
AEA flowthrough	194,674	-	194,674	-	-	-	-
Depreciation (unallocated) *	27,350	-	-	-	(27,350)	-	(27,350)
	305,394	-	194,674	-	(110,720)	-	(110,720)
Total governmental activities	6,823,905	1,523,102	784,990	-	(4,515,813)	-	(4,515,813)

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2015

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
<u>Functions/Programs (continued)</u>						
Business type activities						
Non-instructional programs						
Food service operations	\$ 395,738	\$ 248,923	\$ 131,906		\$ (14,909)	\$ (14,909)
Daycare and preschool program	274,695	248,600	-		(26,095)	(26,095)
Total business type activities	670,433	497,523	131,906	-	(41,004)	(41,004)
Total	\$ 7,494,338	\$ 2,020,625	\$ 916,896	\$ -	(41,004)	(4,556,817)
<u>General Revenues</u>						
Property tax levied for						
General purposes						
Debt service						
Capital outlay						
Statewide sales, services and use tax						
Unrestricted state grants						
Unrestricted investment earnings						
Other						
Total general revenues						
Change in net position						
Net position beginning of year, as restated						
Net position end of year						

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

Exhibit C

Assets	<u>General</u>	<u>Management</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Cash, cash equivalents and pooled investments	\$1,165,100	\$ 24,595	\$ 190,618	\$1,380,313
Receivables				
Property tax				
Delinquent	12,072	1,244	865	14,181
Succeeding year	1,412,658	469,024	236,902	2,118,584
Accounts receivable	18,811	-	281	19,092
Income surtax	203,554	-		203,554
Due from other governments	662,230	-	71,370	733,600
Due from other fund	80,457	-	-	80,457
Total assets	<u>\$3,554,882</u>	<u>\$ 494,863</u>	<u>\$ 500,036</u>	<u>\$4,549,781</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	\$ 87,536	\$ 134	\$ 16,614	\$ 104,284
Salaries and benefits payable	371,884	-	-	371,884
Due to other funds	-	-	80,457	80,457
Total liabilities	<u>459,420</u>	<u>134</u>	<u>97,071</u>	<u>556,625</u>
Deferred inflows of resources				
Unavailable revenue				
Succeeding year property tax	1,412,658	469,024	236,902	2,118,584
Income surtax	203,554	-	-	203,554
Total deferred inflows of resources	<u>1,616,212</u>	<u>469,024</u>	<u>236,902</u>	<u>2,322,138</u>
Fund balances				
Restricted for				
Categorical funding	147,020	-	-	147,020
Student activities	-	-	121,447	121,447
Management levy purposes	-	25,705	-	25,705
School infrastructure	-	-	4,810	4,810
Physical plant and equipment levy	-	-	36,269	36,269
Debt service	-	-	3,537	3,537
Unassigned	1,332,230	-	-	1,332,230
Total fund balances	<u>1,479,250</u>	<u>25,705</u>	<u>166,063</u>	<u>1,671,018</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$3,554,882</u>	<u>\$ 494,863</u>	<u>\$ 500,036</u>	<u>\$4,549,781</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2015

Exhibit D

Total fund balances of governmental funds		\$1,671,018
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,288,548
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds		203,554
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.		(39,172)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$ 575,558	
Deferred inflows of resources	<u>(829,173)</u>	(253,615)
Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable and net pension liability, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		<u>(5,259,069)</u>
Net position of governmental activities		<u>\$4,611,264</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

			Nonmajor Governmental	
Revenues	<u>General</u>	<u>Management</u>	<u>Funds</u>	<u>Total</u>
Local sources				
Local tax	\$1,914,196	\$ 174,666	\$ 122,114	\$2,210,976
Tuition	1,259,049	-		1,259,049
Other	63,868	-	230,133	294,001
State sources	2,902,470	113	460,441	3,363,024
Federal sources	135,795	-	-	135,795
Total revenues	<u>6,275,378</u>	<u>174,779</u>	<u>812,688</u>	<u>7,262,845</u>
Expenditures				
Current				
Instruction				
Regular	2,825,587	61,040	-	2,886,627
Special	552,977	-	-	552,977
Other	856,522	-	234,143	1,090,665
	<u>4,235,086</u>	<u>61,040</u>	<u>234,143</u>	<u>4,530,269</u>
Support services				
Student	95,344	-	-	95,344
Instructional staff	157,552	-	-	157,552
Administration	637,840	14,261	-	652,101
Operation and maintenance of plant	451,326	51,904	-	503,230
Transportation	274,562	22,526	45,870	342,958
	<u>1,616,624</u>	<u>88,691</u>	<u>45,870</u>	<u>1,751,185</u>
Non-instructional programs	<u>-</u>	<u>3,887</u>	<u>-</u>	<u>3,887</u>
Other expenditures				
Facilities acquisition	-	-	142,238	142,238
Long-term debt				
Principal	-	-	305,000	305,000
Interest and fiscal charges	-	-	81,920	81,920
AEA flowthrough	194,674	-	-	194,674
	<u>194,674</u>	<u>-</u>	<u>529,158</u>	<u>723,832</u>
Total expenditures	<u>6,046,384</u>	<u>153,618</u>	<u>809,171</u>	<u>7,009,173</u>
Excess of revenues over expenditures	<u>228,994</u>	<u>21,161</u>	<u>3,517</u>	<u>253,672</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit E

	<u>General</u>	<u>Management</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Other financing sources (uses)				
Sale of equipment and materials	\$ 21,008	\$ -	\$ -	\$ 21,008
Transfers in	-	-	303,083	303,083
Transfers (out)	-	-	(303,083)	(303,083)
Total other financing sources	<u>21,008</u>	<u>-</u>	<u>-</u>	<u>21,008</u>
Change in fund balances	250,002	21,161	3,517	274,680
Fund balance, beginning of year, as restated	<u>1,229,248</u>	<u>4,544</u>	<u>162,546</u>	<u>1,396,338</u>
Fund balance, end of year	<u>\$1,479,250</u>	<u>\$ 25,705</u>	<u>\$ 166,063</u>	<u>\$1,671,018</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Exhibit F

Change in fund balances - total governmental funds **\$ 274,680**

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense for the current year, are as follows:

Expenditures for capital assets	\$ 199,676	
Depreciation expense	<u>(345,831)</u>	(146,155)

Certain revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. 13,745

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 305,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(127,747)	
Pension Expense	<u>(189,254)</u>	(317,001)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due 954

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. 342,470

Change in net position of governmental activities **\$ 473,693**

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2015

Exhibit G

	<u>Major</u> <u>School</u> <u>Nutrition</u>	<u>Nonmajor</u> <u>Daycare &</u> <u>Preschool</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 15,578	\$ -	\$15,578
Accounts receivable	-	2,109	2,109
Due from other governments	-	612	612
Due from other fund	19,027	-	19,027
Inventories	5,461	-	5,461
Total current assets	40,066	2,721	42,787
Noncurrent assets			
Capital assets, net of accumulated depreciation	107,694	-	107,694
Total assets	147,760	2,721	150,481
Deferred Outflows of Resources			
Pension related deferred outflows	8,784	-	8,784
Liabilities			
Current liabilities			
Accounts payable	-	360	360
Salaries and benefits payable	-	5,961	5,961
Due to other funds	-	19,027	19,027
Total current liabilities	-	25,348	25,348
Noncurrent liabilities			
Net pension liability	33,110	-	33,110
Total liabilities	33,110	25,348	58,458
Deferred Inflows of Resources			
Pension related deferred inflows	12,627	-	12,627
Net Position			
Net investment in capital assets	107,694	-	107,694
Unrestricted	3,113	(22,627)	(19,514)
Total net position	\$110,807	\$(22,627)	\$88,180

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit H

	<u>Major</u> <u>School</u> <u>Nutrition</u>	<u>Nonmajor</u> <u>Daycare &</u> <u>Preschool</u>	<u>Total</u>
Operating revenue			
Local sources			
Charges for service	\$ 248,923	\$ 248,600	\$ 497,523
Operating expenses			
Instruction			
Regular			
Salaries	-	16,158	16,158
Benefits	-	2,694	2,694
Purchased services	-	929	929
Supplies	-	1,617	1,617
Total instruction	-	21,398	21,398
Non-instructional programs			
Salaries	111,198	188,638	299,836
Benefits	32,281	36,588	68,869
Purchased services	4,673	-	4,673
Supplies	219,780	28,071	247,851
Miscellaneous	1,354	-	1,354
Depreciation	26,452	-	26,452
Total non-instructional programs	395,738	253,297	649,035
Total operating expenses	395,738	274,695	670,433
Operating (loss)	(146,815)	(26,095)	(172,910)
Non-operating revenue			
Interest income	207	-	207
State sources	2,964	-	2,964
Federal sources	128,942	-	128,942
Total non-operating revenue	132,113	-	132,113
Change in net position	(14,702)	(26,095)	(40,797)
Net position beginning of year, as restated	125,509	3,468	128,977
Net position end of year	\$ 110,807	\$ (22,627)	\$ 88,180

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit I

	<u>Major</u> <u>School</u> <u>Nutrition</u>	<u>Nonmajor</u> <u>Daycare &</u> <u>Preschool</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from sale of services	\$ 248,923	\$248,578	\$ 497,501
Cash payments to employees for services	(145,832)	(243,475)	(389,307)
Cash payments to suppliers for goods and services	(222,974)	(11,230)	(234,204)
Net cash (used in) operating activities	(119,883)	(6,127)	(126,010)
Cash flows from non-capital financing activities			
State grants received	2,964	-	2,964
Federal grants received	108,941	-	108,941
Net cash provided by non-capital financing activities	111,905	-	111,905
Cash flows from capital and related financing activities			
Acquisition of capital assets	(2,476)	-	(2,476)
Cash flows from investing activities			
Interest on investments	207	-	207
Net (decrease) in cash and cash equivalents	(10,247)	(6,127)	(16,374)
Cash and cash equivalents, beginning of year	25,825	6,127	31,952
Cash and cash equivalents, end of year	<u>\$ 15,578</u>	<u>\$ -</u>	<u>\$ 15,578</u>

**Reconciliation of operating (loss) to net cash
(used in) operating activities**

Operating (loss)	\$(146,815)	\$ (26,095)	\$(172,910)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Depreciation	26,452	-	26,452
Commodities used	20,001	-	20,001
Decrease in due from other governments	-	42	42
(Increase) in accounts receivable	-	(64)	(64)
Decrease in inventory	1,859	-	1,859
(Increase) decrease in due from other fund	(19,027)	-	(19,027)
Increase in accounts payable	-	360	360
Increase in due to other funds	-	19,027	19,027
(Increase) in deferred outflows of resources	(3,906)	-	(3,906)
(Decrease) in net pension liability	(11,074)	-	(11,074)
Increase in deferred inflows of resources	12,627	-	12,627
Increase in accrued salaries and benefits	-	603	603
Net cash (used in) operating activities	<u>\$(119,883)</u>	<u>\$ (6,127)</u>	<u>\$(126,010)</u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015 the District received \$20,001 of federal commodities.
See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2015

Exhibit J

	Private Purpose Trust <u>Scholarship</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 10,076
Liabilities	<u>-</u>
Net position	
Reserved for scholarships	<u>\$ 10,076</u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2015

Exhibit K

	Private Purpose Trust <u>Scholarship</u>
Additions	
Local sources	
Interest	\$ 66
Deductions	<u>-</u>
Change in net position	66
Net position beginning of year	<u>10,010</u>
Net position end of year	<u><u>\$10,076</u></u>

See notes to financial statements.

DANVILLE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

Note 1. Summary of Significant Accounting Policies

The Danville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Danville, Iowa, and the agricultural territory in Des Moines and Henry Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Danville Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Danville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Fund is utilized to account for the property tax and other revenues used for tort liability insurance premiums, unemployment compensation insurance claims and early retirement incentive payments.

The District reports the following major proprietary fund:

The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports a fiduciary fund which focuses on net position and changes in net position. The District's fiduciary fund consists of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments- The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	\$ 1,000
Improvements other than buildings	\$ 2,500
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-12 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for services performed by hourly employees prior to June 30, 2015 and payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial

statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2015. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and income surtaxes not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in the preceding classifications.

Net Position - In the district-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Net position restricted through enabling legislation includes \$36,269 for physical plant and equipment, \$121,447 for student activities and \$4,810 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$985,978 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust were rated AAAm by Standard & Poor's Financial Service.

Note 3. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Nonmajor Capital Projects	
General	Statewide Sales, Services and Use Tax	\$ 80,457
	Nonmajor Proprietary	
School Nutrition	Daycare & Preschool	<u>19,027</u>
		<u>\$ 99,484</u>

The Statewide Sales, Services and Use Tax Fund and Daycare & Preschool Fund had negative bank balances at June 30, 2015. Since the Statewide Sales, Services and Use Tax Fund shares a bank account with the General Fund, the amount is reported as due to/due from other fund on the financial statements. Since the Daycare & Preschool Fund shares a bank account with the School Nutrition Fund, the amount is reported as due to/due from other fund on the financial statements.

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
	Capital Projects	
Debt Service	Statewide Sales, Service and Use Tax	\$ 303,083

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The Statewide Sales, Services and Use Tax Fund transferred money to the Debt Service Fund to make principal and interest payments on long-term debt.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

<u>Governmental activities</u>	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
Capital assets not being depreciated:				
Land	\$ 182,287	\$ -	\$ -	\$ 182,287
Construction in progress	<u>351,151</u>	<u>-</u>	<u>(351,151)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>533,438</u>	<u>-</u>	<u>(351,151)</u>	<u>182,287</u>
Capital assets being depreciated:				
Buildings and improvements	9,990,910	470,805	-	10,461,715
Improvements other than buildings	573,385	-	-	573,385
Furniture and equipment	<u>2,066,570</u>	<u>99,266</u>	<u>-</u>	<u>2,165,836</u>
Total capital assets being depreciated	<u>12,630,865</u>	<u>570,071</u>	<u>-</u>	<u>13,200,936</u>

Less accumulated depreciation for:

Buildings and improvements	2,763,781	201,598	-	2,965,379
Improvements other than buildings	285,715	16,880	-	302,595
Furniture and equipment	<u>1,699,348</u>	<u>127,353</u>	<u>-</u>	<u>1,826,701</u>
Total accumulated depreciation	<u>4,748,844</u>	<u>345,831</u>	<u>-</u>	<u>5,094,675</u>

Total capital assets being depreciated, net	<u>7,882,021</u>	<u>224,240</u>	<u>-</u>	<u>8,106,261</u>
Governmental activities capital assets, net	<u>\$ 8,415,459</u>	<u>\$ 224,240</u>	<u>\$(351,151)</u>	<u>\$ 8,288,548</u>

Business type activities

Furniture and equipment	\$ 314,036	\$ 2,476	\$ -	\$ 316,512
Less accumulated depreciation	<u>182,366</u>	<u>26,452</u>	<u>-</u>	<u>208,818</u>
Business type activities capital assets, net	<u>\$ 131,670</u>	<u>\$ (23,976)</u>	<u>\$ -</u>	<u>\$ 107,694</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 34,397
Special	218
Other	8,769
Support services	
Student support	262
Instructional staff support	345
Administration	1,982
Operation and maintenance of plant	225,231
Transportation	<u>47,277</u>
	318,481
Unallocated depreciation	<u>27,350</u>
Total governmental activities depreciation expense	<u>\$ 345,831</u>

Business type activities

Food services	<u>\$ 26,452</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Governmental activities					
General obligation bonds	\$ 390,000	\$ -	\$ (195,000)	\$ 195,000	\$ 195,000
Revenue bonds	2,710,000	-	(110,000)	2,600,000	110,000
Termination benefits	152,796	178,099	(50,352)	280,543	201,136
Net pension liability	2,901,345	-	(727,179)	2,174,166	-
Net OPEB liability	9,360	50,000	(50,000)	9,360	-
Totals	<u>\$ 6,163,501</u>	<u>\$ 228,099</u>	<u>\$ (1,132,531)</u>	<u>\$ 5,259,069</u>	<u>\$ 506,136</u>
Business type activities					
Net pension liability	<u>\$ 44,184</u>	<u>\$ -</u>	<u>\$ (11,074)</u>	<u>\$ 33,110</u>	<u>\$ -</u>

Interest costs incurred and charged to expense on all long-term debt was \$80,966 for the year ended June 30, 2015.

Termination Benefits

The District offers a voluntary early retirement plan to its certified employees, who meet certain eligibility guidelines. Eligible employees must be at least fifty-five years of age and have completed fifteen years of consecutive service to the District. Employees must have completed an application, which was required to be approved by the Board of Education. Early retirement benefits are paid in a lump sum payment equal to 50% of the last year's salary. This can be paid out July 15 lump sum or January 15 lump sum or split 50/50 and paid on both July 15 and January 15. Early retirement benefits paid during the year ended June 30, 2015 totaled \$50,352 and the District had a total liability of \$280,543 payable to 13 individuals at June 30, 2015.

Revenue Bonds

In August 2012, the District issued revenue anticipation bonds in the amount of \$2,810,000 to be used to pay off the 2007 issue and construct a safe room. The District has pledged future statewide sales, services and use tax revenues to repay this bond issue. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 45 percent of the statewide sales, services and use tax revenues.

The bond resolution does not require the establishment of any specific accounts or reserves. Details of the revenue anticipation bonded indebtedness at June 30, 2015 are as follows:

Year	Bond issue of August 28, 2012			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2016	1.55%	\$ 76,973	\$ 110,000	\$ 186,973
2017	1.75%	75,158	110,000	185,158
2018	1.95%	72,732	150,000	222,732
2019	2.35%	69,507	150,000	219,507
2020	2.50%	65,807	155,000	220,807
2021-2025	2.65-3.2%	261,716	830,000	1,091,716
2026-2030	3.35-3.8%	113,367	1,095,000	1,208,367
Totals		<u>\$ 735,260</u>	<u>\$ 2,600,000</u>	<u>\$ 3,335,260</u>

Refunded General Obligation Bonds

On April 4, 2012, the District issued \$775,000 of general obligation bonds to refund the general obligation bond issue of April 1, 2004. On May 1, 2012 the remaining balance of \$930,000 of the 2004 issue was called and paid from the proceeds of the refunding general obligation bonds. This amount is considered to be extinguished and, therefore, excluded from the long-term debt of the District at June 30, 2015. This current refunding was undertaken to reduce total debt service payments over the next four years by \$46,282 and resulted in an economic gain of \$46,978.

Details of the District's June 30, 2015 general obligation bonded indebtedness are as follows:

Year	Bond Issue of April 1, 2012			
Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	0.80%	\$ 195,000	\$ 1,560	\$ 196,560

Note 7. Pension Plan

Plan Description - IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime

of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$347,705.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$2,207,276 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.05454 percent, which was an increase of 0.002517 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$192,135. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,989	\$ -
Changes of assumptions	97,413	-
Net difference between projected and actual earnings on pension plan investments	-	841,800
Changes in proportion and differences between District contributions and proportionate share of contributions	115,236	-
District contributions subsequent to the measurement date	<u>347,704</u>	<u>-</u>
Total	<u>\$ 584,342</u>	<u>\$ 841,800</u>

\$347,704 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	
2016	\$ (155,161)
2017	(155,161)
2018	(155,161)
2019	(155,161)
2020	<u>15,482</u>
Total	<u>\$ (605,162)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-

term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1- percentage-point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$4,170,630	\$2,207,276	\$550,045

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER's website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$9,022 for legally required employer contributions and \$6,011 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees, and their spouses. There are 68 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 50,000
Interest on net OPEB obligation	1,360
Adjustment to annual required contribution	<u>(1,000)</u>
Annual OPEB cost	50,360
Contributions made	<u>(50,000)</u>
Increase in net OPEB obligation	360
Net OPEB obligation beginning of year	<u>9,000</u>
Net OPEB obligation end of year	<u>\$ 9,360</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$50,000 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2013	\$ 49,832	130.4%	\$ 9,000
2014	\$ 50,360	99.3%	\$ 9,360
2015	\$ 50,000	99.2%	\$ 9,360

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$607,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$607,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3.7 million and the ratio of UAAL to covered payroll was 16.2%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required

Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP-2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$194,674 adjusting entry to the cash basis financial statements.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to

been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

The District's reserved fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

Program

Gifted and Talented	\$ 70,479
Four-year-old preschool state aid	55,305
Educator quality, professional development for model core curriculum	11,455
Educator quality, professional development	<u>9,781</u>
	<u>\$ 147,020</u>

Note 13. Deficit Net Position

The District's Daycare & Preschool Fund had negative unrestricted and total net position of \$22,627 at June 30, 2015. The total proprietary funds and business type activities had negative unrestricted net position of \$19,514 at June 30, 2015. The District's governmental activities also had negative unrestricted net position of \$1,191,830 at June 30, 2015.

Note 14. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 6,718,568	\$ 168,283
Net pension liability at June 30, 2014	(2,901,345)	(44,184)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>320,348</u>	<u>4,878</u>
Net position July 1, 2014, as restated	<u>\$ 4,137,571</u>	<u>\$ 128,977</u>

Required Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual All Governmental Funds and Proprietary Funds Required Supplementary Information For the Year Ended June 30, 2015

	Governmental		Proprietary		Total	Budgeted Amounts		Final to
	Funds	Actual	Funds	Actual	Actual	Original	Final	Actual
								Variance
Revenues								
Local sources	\$ 3,764,026		\$ 497,730		\$4,261,756	\$4,888,617	\$ 4,888,617	\$ (626,861)
State sources	3,363,024		2,964		3,365,988	3,025,280	3,025,280	340,708
Federal sources	135,795		128,942		264,737	243,157	243,157	21,580
Total revenues	<u>7,262,845</u>		<u>629,636</u>		<u>7,892,481</u>	<u>8,157,054</u>	<u>8,157,054</u>	<u>(264,573)</u>
Expenditures/Expenses								
Instruction	4,530,269		21,398		4,551,667	4,660,000	4,710,000	158,333
Support services	1,751,185		-		1,751,185	1,946,000	1,946,000	194,815
Non-instructional programs	3,887		649,035		652,922	870,000	870,000	217,078
Other expenditures	723,832		-		723,832	752,075	772,075	48,243
Total expenditures/expenses	<u>7,009,173</u>		<u>670,433</u>		<u>7,679,606</u>	<u>8,228,075</u>	<u>8,298,075</u>	<u>618,469</u>
Excess (deficiency) of revenues over (under)								
expenditures/expenses	253,672		(40,797)		212,875	(71,021)	(141,021)	353,896
Net other financing sources	<u>21,008</u>		<u>-</u>		<u>21,008</u>	<u>-</u>	<u>-</u>	<u>21,008</u>
Net change in fund balance	274,680		(40,797)		233,883	(71,021)	(141,021)	374,904
Balance, beginning of year, as restated	1,396,338		128,977		1,525,315	1,232,282	1,232,282	293,033
Balance, end of year	<u>\$ 1,671,018</u>		<u>\$ 88,180</u>		<u>\$1,759,198</u>	<u>\$1,161,261</u>	<u>\$ 1,091,261</u>	<u>\$ 667,937</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing expenditures by \$70,000.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.05454 %
District's proportionate share of the net pension liability	\$ 2,207,276
District's covered-employee payroll	\$ 3,893,673
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.69%
Plan fiduciary net position as a percetnage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Statutorily required contributions	\$ 347,705	\$ 328,953	\$ 291,715	\$ 265,989	\$ 223,530	\$ 202,737	\$ 197,127	\$ 173,672	\$ 159,644	\$ 147,491
Contributions in relation to the statutorily required contribution	(347,705)	(328,953)	(291,715)	(265,989)	(223,530)	(202,737)	(197,127)	(173,672)	(159,644)	(147,491)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$3,893,673	\$3,683,684	\$3,364,648	\$3,296,022	\$3,216,259	\$3,048,677	\$3,104,362	\$2,870,611	\$2,776,417	\$2,565,061
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying Independent Auditor's Report.

Danville Community School District
Notes to Required Supplementary Information – Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates

Danville Community School District
Notes to Required Supplementary Information – Pension Liability
Year ended June 30, 2015

- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation to the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$ 88,000	\$ 88,000	\$ -	\$3,092,932	2.8%
2011	July 1, 2009	-	88,000	88,000	-	3,138,212	2.8%
2012	July 1, 2009	-	88,000	88,000	-	3,286,282	2.7%
2013	July 1, 2012	-	607,000	607,000	-	3,378,634	18.0%
2014	July 1, 2012	-	607,000	607,000	-	3,566,783	17.0%
2015	July 1, 2012	-	607,000	607,000	-	3,735,576	16.2%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Supplementary Information

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

Schedule 1

	Special Revenue Student Activity	Capital Projects Statewide Sales, Service and Use Tax	Physical Plant and Equipment Levy	Debt Service	Total
Assets					
Cash, cash equivalents & pooled investments	\$121,436	\$14,751	\$ 35,999	\$ 18,432	\$190,618
Receivables					
Property tax					
Delinquent	-	-	270	595	865
Succeeding year	-	-	40,342	196,560	236,902
Accounts receivable	281	-	-	-	281
Due from other governments	-	71,370	-	-	71,370
Total assets	<u>\$121,717</u>	<u>\$86,121</u>	<u>\$ 76,611</u>	<u>\$215,587</u>	<u>\$500,036</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts payable	\$ 270	\$ 854	\$ -	\$ 15,490	\$ 16,614
Due to other funds	-	80,457	-	-	80,457
Total liabilities	<u>270</u>	<u>81,311</u>	<u>-</u>	<u>15,490</u>	<u>97,071</u>
Deferred inflows of resources					
Unavailable revenue					
Succeeding year property tax	-	-	40,342	196,560	236,902
Fund balances					
Restricted for					
Student activities	121,447	-	-	-	121,447
School infrastructure	-	4,810	-	-	4,810
Physical plant and equipment	-	-	36,269	-	36,269
Debt service	-	-	-	3,537	3,537
Total fund balances	<u>121,447</u>	<u>4,810</u>	<u>36,269</u>	<u>3,537</u>	<u>166,063</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$121,717</u>	<u>\$86,121</u>	<u>\$ 76,611</u>	<u>\$215,587</u>	<u>\$500,036</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

Schedule 2

		Capital Projects			
	Special	Statewide	Physical		
	Revenue	Sales,	Plant and		
	Student	Service and	Equipment	Debt	
	Activity	Use Tax	Levy	Service	Total
Revenues					
Local sources					
Local taxes	\$ -	\$ -	\$ 38,108	\$ 84,006	\$122,114
Other	228,733	1,400	-	-	230,133
State sources	-	460,363	24	54	460,441
Total revenues	<u>228,733</u>	<u>461,763</u>	<u>38,132</u>	<u>84,060</u>	<u>812,688</u>
Expenditures					
Current					
Instruction					
Total instruction	<u>234,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>234,143</u>
Support services					
Transportation	<u>-</u>	<u>45,870</u>	<u>-</u>	<u>-</u>	<u>45,870</u>
Other expenditures					
Facilities acquisition	-	130,084	12,154	-	142,238
Long-term debt					
Principal	-	-	-	305,000	305,000
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,920</u>	<u>81,920</u>
Total other expenditures	<u>-</u>	<u>130,084</u>	<u>12,154</u>	<u>386,920</u>	<u>529,158</u>
Total expenditures	<u>234,143</u>	<u>175,954</u>	<u>12,154</u>	<u>386,920</u>	<u>809,171</u>
Excess (deficiency) of revenues over					
(under) expenditures	<u>(5,410)</u>	<u>285,809</u>	<u>25,978</u>	<u>(302,860)</u>	<u>3,517</u>
Other financing sources					
Transfers in	-	-	-	303,083	303,083
Transfers (out)	<u>-</u>	<u>(303,083)</u>	<u>-</u>	<u>-</u>	<u>(303,083)</u>
Total other financing sources (uses)	<u>-</u>	<u>(303,083)</u>	<u>-</u>	<u>303,083</u>	<u>-</u>
Change in fund balances	(5,410)	(17,274)	25,978	223	3,517
Fund balances, beginning of year	<u>126,857</u>	<u>22,084</u>	<u>10,291</u>	<u>3,314</u>	<u>162,546</u>
Fund balances, end of year	<u>\$121,447</u>	<u>\$ 4,810</u>	<u>\$ 36,269</u>	<u>\$ 3,537</u>	<u>\$166,063</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
For the Year Ended June 30, 2015

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance, End of Year
Athletics	\$ 16,424	\$ 122,249	\$ 118,357	\$ 852	\$ 21,168
Class of:					
2013	572	-	-	(572)	-
2014	7	-	-	(7)	-
2015	2,737	773	3,051	(459)	-
2016	822	7,630	6,935	-	1,517
2017	576	-	-	-	576
2018	774	-	-	-	774
2019	286	-	-	-	286
2020	725	-	-	-	725
2021	490	2,312	2,070	129	861
Playground equipment fund	13,562	-	1,053	-	12,509
Book clubs	1,959	1,689	1,763	-	1,885
Book fair	383	4,524	4,103	-	804
Parent volunteers	-	83	83	-	-
Jump Rope for Heart	638	-	315	-	323
Kindergarten workshop	62	-	-	-	62
Elementary school store	490	564	628	214	640
Speech	1,545	7,691	8,739	(26)	471
National Honor Society	41	-	81	40	-
Drama	3,868	4,648	3,718	(5)	4,793
Performing arts	2,938	8,577	9,031	(550)	1,934
Cheerleaders	1	-	142	400	259
Volleyball camp	1,150	-	1,150	-	-
SCI program	61	-	-	-	61
S.A.D.D.	906	-	-	-	906
Rachel's challenge	18	74	-	-	92
Math/Science	217	-	240	23	-
High school student council	281	715	897	(99)	-
Jr high student council	7,975	6,873	5,929	(485)	8,434
Boys basketball camp	10,844	-	7,331	400	3,913
Girls basketball camp	2,141	-	1,002	(40)	1,099
Football camp	6,105	-	6,105	-	-

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
For the Year Ended June 30, 2015

Schedule 3

Account	Balance, End of <u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	Intrafund Transfers	Balance, End of <u>Year</u>
Band	\$ 2,371	\$ 3,167	\$ 3,165	\$ -	\$ 2,373
Baseball camp	185	-	185	-	-
Soccer camp	116	-	116	-	-
Golf camp	199	-	-	-	199
Vocal music	2,512	14,418	8,413	675	9,192
Cross Country Camp	467	-	-	-	467
Swing choir	5,953	5,738	9,420	-	2,271
Music trip	2,255	10,335	7,927	-	4,663
High school pop	1,154	1,165	1,063	36	1,292
School store	442	110	-	(110)	442
Seniors, Inc.	544	-	-	-	544
FHA	1,404	828	788	62	1,506
Mass media	145	-	-	-	145
Yearbook	20,986	18,913	16,472	-	23,427
Student pictures	4,658	4,282	3,871	(104)	4,965
Interest	4,868	1,375	-	(374)	5,869
Totals	<u>\$ 126,857</u>	<u>\$ 228,733</u>	<u>\$ 234,143</u>	<u>\$ -</u>	<u>\$ 121,447</u>

See accompanying Independent Auditor's Report.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

Schedule 4

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	Modified Accrual Basis									
Revenues										
Local sources										
Local tax	\$2,210,976	\$2,171,059	\$2,486,060	\$2,405,469	\$1,659,508	\$2,249,708	\$2,233,216	\$2,024,587	\$1,953,149	\$1,832,358
Tuition	1,259,049	1,170,744	1,139,800	1,026,355	966,172	911,539	845,859	767,684	781,249	643,369
Other	294,001	307,070	450,155	346,590	89,192	317,562	612,614	481,091	425,441	344,940
Intermediate sources	-	-	-	-	-	-	-	-	-	-
State sources	3,363,024	3,347,652	2,770,691	2,698,260	2,639,034	2,284,658	2,501,373	2,315,717	2,117,637	1,961,839
Federal sources	135,795	347,376	750,990	289,971	192,685	332,164	200,385	96,700	132,810	106,887
Total revenues	\$7,262,845	\$7,343,901	\$7,597,696	\$6,766,645	\$5,546,591	\$6,095,631	\$6,393,447	\$5,685,779	\$5,410,286	\$4,889,393
Expenditures										
Current										
Instruction										
Regular	\$2,886,627	\$2,790,855	\$2,614,199	\$2,553,472	\$2,397,556	\$2,214,875	\$2,235,011	\$2,036,743	\$2,086,631	\$1,865,099
Special	552,977	586,562	569,396	546,587	482,505	508,345	605,173	517,915	448,713	420,957
Other	1,090,665	902,273	1,039,647	916,645	649,798	860,385	868,077	813,557	659,862	685,825
Support services										
Student	95,344	88,173	93,367	85,712	75,391	95,210	100,793	47,818	48,862	52,108
Instructional staff	157,552	150,611	174,841	203,136	143,759	149,623	136,390	94,265	91,944	84,790
Administration	652,101	697,799	673,854	587,330	573,839	651,705	720,378	745,808	757,273	658,129
Operation and maintenance of plant	503,230	540,379	462,670	468,489	368,331	377,049	446,315	409,666	411,073	402,703
Transportation	342,958	409,948	309,205	308,040	246,467	310,966	233,533	237,115	255,363	245,424
Central support services	-	-	-	-	-	-	-	-	-	-
Non-instructional programs	3,887	2,611	-	2,493	-	2,769	-	6,000	2,428	2,417
Other expenditures										
Facilities acquisition	142,238	631,050	2,469,244	232,483	-	114,056	135,013	1,263,233	264,709	99,475
Long-term debt										
Principal	305,000	295,000	1,241,000	1,060,000	-	290,000	350,000	340,000	390,000	370,000
Interest and other charges	81,920	84,285	65,271	105,209	-	108,658	121,204	133,813	151,306	150,857
AEA flowthrough	194,674	186,967	176,922	175,344	192,325	187,870	166,971	148,917	143,392	129,431
Total expenditures	\$7,009,173	\$7,366,513	\$9,889,616	\$7,244,940	\$5,129,971	\$5,871,511	\$6,118,858	\$6,794,850	\$5,711,556	\$5,167,215

See accompanying Independent Auditor's Report.

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Danville Community School District:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Danville Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Danville Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Danville Community School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Danville Community School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I

consider the deficiency described in Part I of the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Danville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

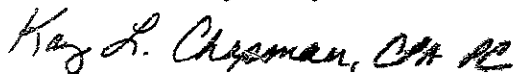
Danville Community School District's Responses to the Findings

Danville Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. Danville Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Danville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC
March 30, 2016

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

Part I. Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We have developed an action plan to improve internal controls and the segregation of duties beginning in the fiscal year ending June 30, 2015.

Conclusion - Response accepted.

Part II. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2015 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - One variance in the basic enrollment data certified to the Iowa Department of Education was noted. 4.5 students were omitted on the count reported to the Iowa Department of Education.

Recommendation - The District should contact the Iowa Department of Education and the Iowa Department of Management to resolve this issue.

Response - We have contacted both the Iowa Department of Education and Iowa Department of Management regarding this issue.

Conclusion - Response accepted.

8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
10. Certified Annual Reports - The Certified Annual Report was filed with the Iowa Department of Education timely.
11. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

DANVILLE COMMUNITY SCHOOL DISTRICT
Schedule of Findings
For the Year Ended June 30, 2015

Beginning balance		\$	22,084
Revenues			
Statewide sales and services tax revenue	\$	460,363	
Other local revenues		<u>1,400</u>	461,763
Expenditures/transfers out			
School infrastructure			
School infrastructure construction	\$	130,084	
Equipment		<u>45,870</u>	
Debt service for school infrastructure			
Revenue debt		<u>303,083</u>	<u>479,037</u>
Ending balance			<u>\$ 4,810</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

13. Deficit Net Position - The District's Daycare & Preschool Fund had negative unrestricted and total net position of \$22,627 at June 30, 2015. The Total Proprietary Funds and Business Type Activities had negative unrestricted net position of \$19,514 at June 30, 2015. The District's governmental activities also had negative unrestricted net position of \$1,191,830 at June 30, 2015.

Recommendation - The District should continue to monitor these funds and investigate alternatives to eliminate these deficits.

Response - The deficits in the Daycare & Preschool Fund, Total Proprietary Funds and Business Type Activities were the result of over expenditures in the Daycare & Preschool Fund. We will review this situation and implement changes, as deemed necessary, to correct this negative. The deficit in the governmental activities is a result of adopting GASB Statement No. 68 during the year ended June 30, 2015.

Conclusion - Response accepted.

DANVILLE COMMUNITY SCHOOL DISTRICT

Audit Staff

June 30, 2015

This audit was performed by

Kay Chapman, CPA

Terri Slater, staff accountant